

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-)	
AMERICAN WATER COMPANY TO AMEND)	CASE NO.
TARIFF TO REVISE QUALIFIED)	2021-00090
INFRASTRUCTURE PROGRAM CHARGE)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO KENTUCKY-AMERICAN WATER COMPANY

Kentucky-American Water Company (Kentucky-American), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on April 16, 2021. The Commission directs Kentucky-American to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky-American shall make timely amendment to any prior response if Kentucky-American obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky-American fails or refuses to furnish all or part of the requested information, Kentucky-American shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Kentucky-American shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Explain how Kentucky-American will determine the contractor for each of the pipeline projects listed in the qualified infrastructure program (QIP) filing.

2. If the contractor is selected using a pre-executed master services agreement, explain the process for determining the scope of the work and the pricing for each individual project.

3. To the extent not answered in the previous question, if the project contractor is selected using a master services agreement, explain whether there are agreements priced per foot of pipe installed or by other means.

4. To the extent not answered in questions 2 or 3, explain how different construction conditions unique to each project are accounted for in the contract pricing.

5. If the contractor is selected using a pre-executed master services agreement, state how often the master services agreements are bid or executed.

6. For the QIP projects, explain which materials are supplied by the contractor and which materials are supplied by Kentucky-American, with the basis for each.

7. Explain in specific detail how Kentucky-American ensures that the construction pricing is competitive and fair.

8. Refer to Case No. 2018-00358, the Direct Testimony of Brent O'Neill, page 9.² Provide the same table updated to include 2018, 2019, and 2020.

9. For each QIP project that is the subject of this proceeding, state how much of each size and material of pipe will be retired, and the age for all pipe to be replaced.

10. Explain in specific detail how the projects are identified to be included in the prioritization model.

11. Provide the number of breaks or leaks in the last ten years that have been identified on the pipes that are the subject of this proceeding, broken out by project.

12. Provide a copy of the prioritization model results prior to developing the QIP.

13. The Order dated June 27, 2019 in Case No. 2018-00358 at page 19 details Kentucky-American's proposed net original rate base, adjustments, and the

² Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (filed Nov. 28, 2018), Direct Testimony of Brent E. O'Neill at 9.

Commission's authorized net original rate base for that case by rate base component. Using the same components, provide a comparison to the calculation of actual net original rate base at the end of the test period in Case No. 2018-00358 and the following:

- a. The actual rate base at the end of 2020 in total;
- b. The actual rate base at the end of 2020 without the QIP projects;
- c. The projected rate base at the end of QIP Year 1 in total;
- d. The projected rate base at the end of QIP Year 1 without the QIP;
- e. The projected rate base at the end of QIP Year 2 in total; and
- f. The projected rate base at the end of QIP Year 2 without the QIP.

14. Provide the actual QIP construction expenditures, by month, for QIP Year 1 through the end of March 2021.

15. Provide the actual 2020 amounts of QIP placed in service, by month, through the end of March 2021.

16. In Case No. 2018-00358, O'Neill Direct Testimony, Exhibit 2 (O'Neill Direct Testimony, Exhibit 2), Kentucky-American identified the material of pipe that generated the most number of leaks. Explain whether Kentucky-American has identified the age of the pipe that generated the most number of leaks.

17. Refer to the Direct Testimony of Kurt A. Stafford (Stafford Direct Testimony), pages 9–10, and Case No. 2018-00358, O'Neill Direct Testimony, Exhibit 2. For each project listed in QIP Year 2 in this proceeding, identify which of the projects is represented by the projects listed in O'Neill Direct Testimony, Exhibit 2.

- a. Explain whether the proposed QIP Year 2 project is less than, the same, or greater than the scope proposed in O'Neill Direct Testimony, Exhibit 2.

b. If the project is not identified in O'Neill Direct Testimony, Exhibit 2, explain why the project is proposed in this proceeding instead of the projects in O'Neill Direct Testimony, Exhibit 2.

18. Refer to Stafford Direct Testimony, page 8, line 21. Explain how the estimated expenditures of \$19,700,000 proposed in this filing for 78,800 feet or 14.9 miles of main, exceed the estimated 20-year replacement cycle annual expenditures of \$15.5 million to \$9.5 million in the report attached as O'Neill Direct Testimony, Exhibit 2.

19. In O'Neill Direct Testimony, Exhibit 2, page 18, the selection of the replacement rate included the following discussion:

With the 15 year and the 20 year replacement periods, the removal of the cast iron is quicker and allows for the effort to replace asbestos cement to begin sooner. However, the amount of capital required per year was a concern with respect to support from the community. In addition, the level of capital commitment per year for the 15 year and 20 year replacement rates could have a negative impact on Kentucky-American to address other infrastructure replacement needs such as water treatment components at the water treatment plants that are also entering the end of their useful life. Finally, the amount of miles of replacement main per year of 16 and 12 miles for the 15 year and 20 year replacement rates is a concern for the impact on available resources to complete the construction each year. The 15 year replacement rate is a fourfold increase in the amount of main replaced during 2014 to 2016. This increase would be a significant strain on the available company and contractor resources and would require a substantial increase in labor and equipment that Kentucky-American is concerned can be sustained over the period of the replacement program.

Explain how KAW has determined that a 20-year replacement cycle is now not a concern with respect to support from the community, the level of capital commitment per year, or available resources to complete construction each year.

20. Refer to Stafford Direct Testimony, page 13, line 20 through page 14, line 9, which discusses how work related to Budget Line F – Hydrants and Valves is associated with the replacement of aging mains. Explain whether the hydrants and valves to be replaced are located on aging mains that are planned to be replaced through Budget Line B – QIP Mains Replaced/Restored (Budget Line B) or Budget Line C – Mains Unscheduled (Budget Line C) projects included in this filing or whether the hydrants and valves are unrelated to the Budget Line B and Budget Line C projects included in this filing.

21. Refer to the Direct Testimony of Kurt A. Stafford, page 14, line 20 through page 15, line 5, which discusses how work related to Budget Line H – Services Replaced is associated with the replacement of aging mains. Explain whether the services to be replaced are located on aging mains that are planned to be replaced through Budget Line B or Budget Line C projects included in this filing or whether the services to be replaced are unrelated to the Budget Line B and Budget Line C projects included in this filing.

22. Refer to KAW_DT_EKC_WP_032621, tabs “2021_Depreciation Rates” and “2021_Retirement Ratio.”

a. Explain why QIP 2 Code include different accounts that QIP 1 Code on these tabs.

b. Explain Kentucky-American’s process for determining the annual amount for retirements and the basis for the amount allocated to each retirement account determined on the tab “2021_Retirement Ratio” for the years 2017, 2018 and 2019.

23. Provide the number, broken out by specific project, of hydrants, valves and services that were replaced or are projected to be replaced as part of the projects identified in QIP1. Explain whether the costs for these replacements were included in the overall cost of the project or whether they were included in the costs budgeted to Line Items F and H in the 2020 Capital Improvement Plan.

24. Provide the number of hydrants, valves and services were replaced in 2020 that were not part of the projects identified in QIP1.

25. Provide the number, broken out by specific project, of hydrants, valves and services that are projected to be replaced as part of the projects identified in QIP2. Explain whether the costs for these replacements are included in the overall cost of the project or whether the costs are the included in the costs budgeted to Line Items F and H in 2021 and 2022 Capital Improvement Plan.

26. Provide the estimated capital costs and the number, broken out by specific project, of hydrants, valves and services that are projected to be replaced that are not part of the projects identified in QIP 2, but are included in Line Items F and H in this filing.

27. Provide the estimated capital costs and the number, broken out by specific project, of hydrants, valves and services that are projected to be replaced over the time period for QIP 2 that are not part of the projects identified in QIP 2 and are not included in the filing in either the projects in QIP 2 or Line Items F and H.

28. Explain in specific detail what the impact is on the QIP for the errors listed in Elaine Chamber's direct testimony.

29. Explain whether Kentucky-American intends to correct for the errors listed in the true-up of QIP 1 due to be filed in September 2021.

30. Provide a copy of the entire Capital Improvement Plan projected for the time period of QIP 2.



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DATED APR 09 2021

cc: Parties of Record

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